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# **Audit**



# **Report**

OFFICE OF THE INSPECTOR GENERAL

**FINANCIAL MANAGEMENT AT THE  
AMERICAN FORCES INFORMATION SERVICE**

Report No. 97-140

May 7, 1997

**Department of Defense**

AQI 00-01-0153

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### **Acronyms**

AFIS	American Forces Information Service
AFRTS	Armed Forces Radio and Television Service
DFAS	Defense Finance and Accounting Service
DVIC	Defense Visual Information Center
KAR	Key Accounting Requirement
OPLOC	Operating Location
WHS	Washington Headquarters Services



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-2884



May 7, 1997

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING  
SERVICE  
DIRECTOR, AMERICAN FORCES INFORMATION  
SERVICE

SUBJECT: Audit Report on Financial Management at the American Forces  
Information Service (Report No. 97-140)

We are providing this report for review and comment. We performed the audit in response to the Chief Financial Officers Act of 1990 as amended by the Federal Financial Management Act of 1994. Management comments on a draft of this report were considered in preparing the final report.

As a result of management comments and discussions, we deleted draft Recommendations 1.a., 1.b., and 3. DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Defense Finance and Accounting Service did not comment on a draft of this report; therefore, we request that it provide comments on the final report by June 9, 1997.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Charles J. Richardson, Audit Program Director, at (703) 604-9582 (DSN 664-9582). See Appendix D for the report distribution. The audit team members are listed inside the back cover.

*David K. Steensma*

David K. Steensma  
Deputy Assistant Inspector General  
for Auditing

## Office of the Inspector General, DoD

Report No. 97-140  
(Project No. 6LA-2034)

May 7, 1997

### Financial Management at the American Forces Information Service

#### Executive Summary

**Introduction.** The Federal Financial Management Act of 1994, Public Law 103-356, requires DoD to provide FY 1996 consolidated financial statements to the Office of Management and Budget. Financial data from the American Forces Information Service will be included in the DoD FY 1996 consolidated financial statements. In FY 1995, the American Forces Information Service managed and accounted for funding of \$103.7 million. The Defense Finance and Accounting Service provided accounting services to the American Forces Information Service.

**Audit Objectives.** The audit objective was to determine whether the Defense Finance and Accounting Service and the American Forces Information Service implemented effective management controls and complied with laws and regulations for American Forces Information Service funds managed and accounted for in FY 1995.

**Audit Results.** Adjusted trial balances prepared for the American Forces Information Service did not comply with prescribed DoD accounting standards. As a result, the American Forces Information Service FY 1995 trial balance information was not fully supported and the financial data could not be relied on to produce financial statements required by the Chief Financial Officers Act. See Appendix A for details on the management control program.

**Summary of Recommendations.** We recommend that the Directors, Defense Finance and Accounting Service Indianapolis Center, Rome Operating Location, and Seaside Operating Location; and the Director, American Forces Information Service, maintain records for audit trails in accordance with Key Accounting Requirement 8, "Audit Trails."

**Management Comments.** The American Forces Information Service partially concurred with the recommendation to establish and maintain audit trails. The American Forces Information Service stated that it maintains records of procurement transactions and trial balances. The American Forces Information Service also stated that it has no control over input of disbursements and that the Defense Finance and Accounting Service recognition of disbursements is late. See Part I for a discussion of management comments and Part III for the complete text of management comments.

**Audit Response.** The American Forces Information Service actions to maintain audit trails were responsive. As a result of comments and discussions, we deleted the draft report recommendations regarding balancing the trial balances and accounting for and reporting cash and accounts payable transactions. The Defense Finance and Accounting Service did not respond to a draft of this report. Therefore, we request that the Defense Finance and Accounting Service provide comments on the report by June 9, 1997.

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## **Part I - Audit Results**

### Audit Background

**Mission of the American Forces Information Service.** DoD Instruction 5122.10, "American Forces Information Service," February 14, 1995, states that the American Forces Information Service (AFIS) primary mission is to:

... contribute to the operational readiness and combat effectiveness of the Department of Defense through development of policies, guidelines, standards, and central management of DoD internal information programs, including the Armed Forces Radio and Television Service (AFRTS), and audiovisual and visual information activities.

AFIS has specific program responsibilities to:

- o communicate DoD issues to internal audiences worldwide;
- o design, engineer, and help acquire visual and audiovisual equipment;
- o record, store, preserve, and make available media depicting DoD activities and heritage; and
- o train military and civilian members in the fields of public affairs and visual information.

The Director, AFIS, is responsible for organizing and managing AFIS and its fiscal and staffing resources. In FY 1995, AFIS received \$103.7 million of Defense Public Affairs funds (\$99.1 million in Operation and Maintenance funds and \$4.6 million in Procurement funds). The Assistant Secretary of Defense (Public Affairs) has oversight responsibility for AFIS.

**Elements Within AFIS.** AFIS, headquartered in Alexandria, Virginia, has six field elements. The figure below shows the structure, location, and FY 1995 funding for AFIS headquarters and its elements.



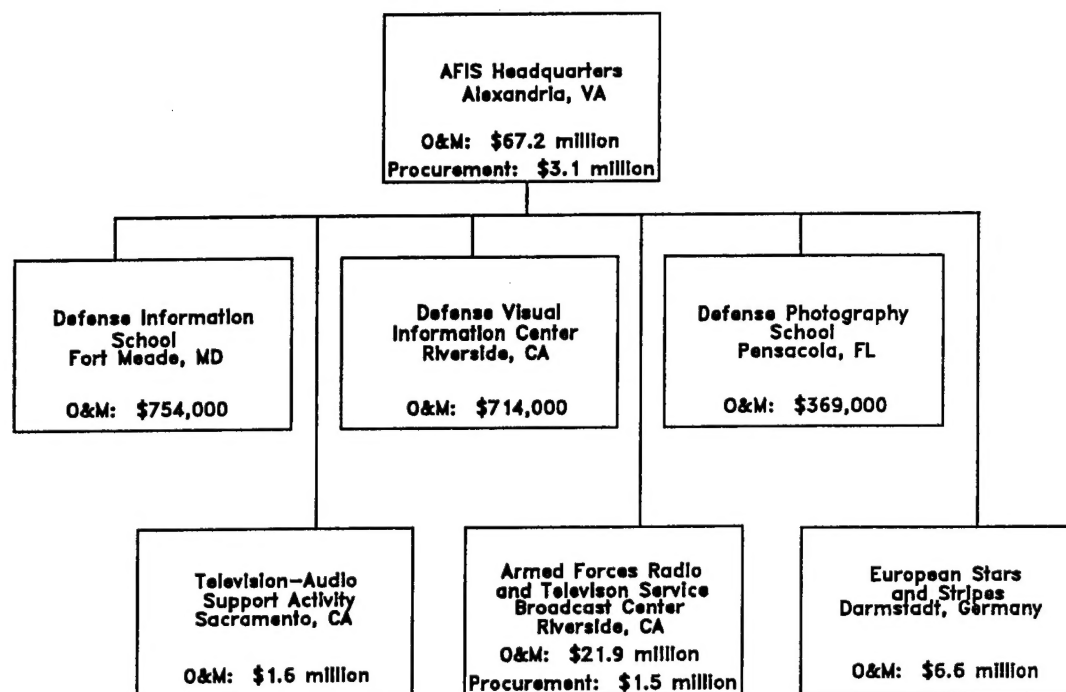


Figure 1. AFIS Structure, Locations, and FY 1995 Funding

**Consolidating AFIS Elements.** Beginning in FY 1995, AFIS began consolidating similar functions for economy and efficiency. The Armed Forces Radio and Television Services (AFRTS) Broadcast Center moved from Sun Valley, California, to collocate with the Defense Visual Information Center (DVIC) in Riverside, California, during FY 1995. In early FY 1996, AFIS consolidated the Defense Visual Information School and the Defense Information School, now called the Defense Information School, at Fort Meade, Maryland. In addition, AFIS plans to move the Defense Photography School to Fort Meade by the end of FY 1997 or early FY 1998.

**Financial Statement Requirements.** Public Law 101-576, "The Chief Financial Officers Act of 1990," establishes requirements for Federal organizations to submit audited financial statements to the Director, Office of Management and Budget. Public Law 103-356, "The Federal Financial Management Act of 1994," requires DoD and other Federal agencies to prepare consolidated financial statements for FY 1996, and each succeeding year, and to submit those statements to the Office of Management and Budget. Financial data from the AFIS will be included in the DoD FY 1996 consolidated financial statements.

## Audit Results

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**Defense Organization Responsibility for Financial Statements.** On June 6, 1995, the DoD Deputy Chief Financial Officer notified the DoD Components that the Federal Financial Management Act of 1994 requires them to prepare and submit financial statements in FY 1996. DoD Regulation 7000.14-R, "Financial Management Regulation," volume 6, chapter 2, "Departmental Financial Reports' Roles and Responsibilities," February 1996, holds the DoD Components responsible for the accuracy, completeness, and documentary support for all data submitted to the Defense Finance and Accounting Service (DFAS) to be included in financial reports. DFAS combines the financial data from all the DoD Components for the DoD consolidated financial statements.

**General Ledger Account Structure.** DoD Regulation 7000.14-R, volume 1, chapter 7, "Department of Defense Standard General Ledger," May 1993, prescribes guidelines and policies for the DoD-approved general ledger account structure. The general ledger account structure is required in all DoD accounting systems, for all appropriations and funds, and applies to both proprietary and budgetary accounts. Table 1 shows the general ledger account structure.

**Table 1. General Ledger Account Structure**

<u>Account Series</u>	<u>Account</u>
1000 Series	Assets
2000 Series	Liabilities
3000 Series	Equity
4000 Series	Budgetary
5000 Series	Revenue
6000 Series	Expense
7000 Series	Gains, losses, miscellaneous

All account series except the 4000 series are proprietary accounts. The DoD general ledger account structure consists of the accounts DoD Components use to prepare budgetary reports and general-purpose financial statements. Budgetary reports, which the Components derive from the 4000 series accounts, primarily provide a status of appropriated funds, while general-purpose financial statement reports, derived from all the other account series, primarily show the status and use of an organization's financial resources.

## Audit Objectives

The audit objective was to determine whether DFAS and AFIS implemented effective management controls and complied with laws and regulations for AFIS funds managed and accounted for in FY 1995. Specifically, we reviewed accounting documents, procedures used to record AFIS financial transactions, and the related management controls to determine whether the accounting

procedures could produce reliable information necessary to prepare financial statements required by the Chief Financial Officers Act. Appendix A discusses the audit scope and methodology and the review of the management control program. Appendix B provides details on related prior audits and other reviews. Appendix C discusses accounting for property and corrective actions that AFIS management implemented during the audit.

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## **Compliance With DoD Accounting Requirements**

Adjusted trial balances prepared for AFIS during FY 1995 did not comply with DoD accounting standards. The Accounting Services<sup>1</sup> and AFIS did not maintain audit trails, and the AFRTS Broadcast Center did not account for and properly report funds disbursements and accounts payable. As a result, the AFIS FY 1995 consolidated trial balance was not fully supported and AFIS financial data could not be depended on to produce reliable financial statements required by the Chief Financial Officers Act.

### **Accounting Services for AFIS**

Each element within AFIS has an organization to record and account for individual fund allocations. Six organizations use four systems to perform accounting services for AFIS as shown in Table 2. The six organizations performing accounting services are the DFAS Indianapolis Center, AFRTS Broadcast Center, DFAS Rome Operating Location (OPLOC), DFAS Pensacola OPLOC, DFAS Seaside OPLOC, and the 266th Finance Theater. Although AFIS headquarters, AFRTS Broadcast Center, and DVIC have either a DFAS or internal organization to record financial transactions, Washington Headquarters Services (WHS) runs the software that produces monthly and yearend trial balances for those elements. The 266th Finance Theater prepares the European Stars and Stripes monthly and yearend trial balance data. DFAS organizations prepare the monthly and yearend trial balances for the remaining AFIS elements. The DFAS Indianapolis Center collects the yearend trial balances for each AFIS element and combines them into one. The FY 1996 DoD consolidated financial statements will include data from the AFIS consolidated trial balance.

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<sup>1</sup>For the purposes of this report, Accounting Services refer to the DFAS Indianapolis Center, DFAS Rome Operating Location, DFAS Seaside Operating Location, and AFRTS Broadcast Center collectively, which perform accounting services for AFIS.

## Compliance With DoD Accounting Requirements

**Table 2. Accounting Service for AFIS**

<u>AFIS Element</u>	<u>Performer of Accounting</u>	<u>Accounting System Used</u>
AFIS Headquarters	DFAS Indianapolis Center	WHS Allotment Accounting System
AFRTS Broadcast Center	AFRTS Broadcast Center	AFRTS Allotment Accounting System
Defense Information School	DFAS Rome OPLOC	Standard Army Financial System
Defense Photography School	DFAS Pensacola OPLOC	Standard Accounting and Reporting System
Television-Audio Support Activity	DFAS Seaside OPLOC	Standard Army Financial System
DVIC	AFRTS Broadcast Center	AFRTS Allotment Accounting System
European Stars and Stripes	266th Finance Theater	Standard Army Financial System

Because different organizations and systems perform accounting and prepare trial balances for AFIS, procedures and management controls play an important role in producing reliable consolidated trial balances. In addition to the multiple organizations and systems, functional transfers have affected AFIS accounting and trial balance preparation. Before July 1996, the Defense Accounting Office Fort Meade performed accounting for the Defense Information School. DFAS closed that office and transferred its accounting records and functions to the DFAS Rome OPLOC.

## Financial Management Requirements

**DoD Regulation 7000.14-R.** The DoD Regulation 7000.14-R, "Financial Management Regulation," has 15 volumes. The Regulation prescribes the policy and procedures that implement the financial management statutory and regulatory requirements applicable to the DoD Components. Specific guidance includes financial reporting requirements. Volume 1, chapter 3, "Accounting Systems Conformance, Evaluation, and Reporting," May 1993, establishes 13 key accounting requirements (KARs) with which accounting systems must reasonably comply to meet General Accounting Office, Office of Management and Budget, Department of the Treasury, and DoD standards and principles.

## **Compliance With DoD Accounting Requirements**

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**DFAS Reporting Role and Responsibilities.** DoD Regulation 7000.14-R, volume 1, chapter 2, "Conceptual Framework," designates DFAS as the accounting entity for the DoD. DoD Regulation 7000.14-R, volume 1, chapter 3, states that among its many responsibilities, DFAS shall:

Ensure that the accounting systems provide complete, reliable, consistent, and timely information which is prepared on a uniform basis and is responsive to the financial information needs of management.

DoD Regulation 7000.14-R, volume 6, details the DFAS role in preparing consistent, timely, auditable, and accurate financial reports.

## **Audit Trails and Timely Recording of Disbursements**

**Maintaining Audit Trails.** The Accounting Services did not maintain sufficient audit trails. DoD Regulation 7000.14-R, volume 1, chapter 3, KAR 8, "Audit Trails," states that audit trails should allow a transaction to be traced from initiation through processing to final reports. Audit trails allow auditors or evaluators to ensure that transactions are properly accumulated and correctly classified, coded, and recorded in all affected accounts.

The Accounting Services lacked the initial documentation needed to establish an audit trail, and the audit trails were not sufficient to identify specific accounts with errors and the amounts of the errors for FY 1995 trial balances. In addition, the DFAS Indianapolis Center (the Accounting Service that consolidates AFIS trial balance data) and AFIS were unable to provide three AFIS FY 1995 yearend trial balances and did not have records to create the trial balances. Further, when DFAS transferred the Defense Information School accounting functions from the Defense Accounting Office Fort Meade to the Rome OPLOC, the records and documentation to support accounting transactions for AFIS were not sent to the Rome OPLOC. Accounting personnel at the DFAS Rome OPLOC could not provide two FY 1995 yearend AFIS trial balances for the Defense Information Schools. Additionally, AFIS personnel could not provide the FY 1995 yearend trial balance for European Stars and Stripes.

We could not audit and verify the AFIS consolidated FY 1995 trial balance without supporting records and audit trails. The Accounting Services should establish and maintain sufficient audit trails as required by KAR 8.

**Accounting for and Reporting Funds Disbursements and Accounts Payable.** The FY 1995 adjusted trial balances for the AFRTS Broadcast Center and DVIC did not include accurate balances in Funds Disbursed (Account 1012) and Accounts Payable (Accounts 2111 and 2113) accounts. DoD Regulation 7000.14-R, volume 1, chapter 3, KAR 9, "Cash Procedures and Accounts Payable," states that an accounting system shall be designed to verify timely payments based on properly approved disbursement documents. Accounts payable shows which payments are due for goods or services received

and is reported in the financial statements. Once payment is disbursed, the amount of payment moves from the Accounts Payable account to the Funds Disbursed account. The AFRTS Broadcast Center and DVIC FY 1995 adjusted trial balances showed zero balances in Account 1012, Funds Disbursed, and reported \$24.1 million and \$86,379, respectively, in Account 2111, Accounts Payable-Government-Current, and Account 2113, Accounts Payable-Public-Current. Accounting personnel for both elements had documentation to support that the AFRTS Broadcast Center had disbursed \$22.8 million and that DVIC had disbursed \$.3 million during FY 1995, which understated Account 1012 and overstated Accounts 2111 and 2113. We reviewed the unreported disbursements with the accounting systems managers and determined that controls were in place for the preparation of the FY 1996 adjusted trial balance. Therefore, this report contains no recommendations regarding disbursements or receipt of goods.

### **Recommendations, Management Comments, and Audit Response**

**Deleted Recommendations.** As a result of discussions with management, we deleted draft report Recommendations 1.a. and 1.b. regarding balancing trial balances and matching the Appropriated Capital Used account to the Operating Expenses account. In addition, management showed us that controls were in place for FY 1996 to account for and report cash and accounts payable transactions based on the timely recognition of disbursements and receipt of goods. Therefore, we deleted the associated draft report Recommendation 3.

**We recommend that the Directors, Defense Finance and Accounting Service Indianapolis Center, Rome Operating Location, and the American Forces Information Service, maintain records for audit trails in accordance with Key Accounting Requirement 8, "Audit Trails."**

**Management Comments.** The Director, American Forces Information Service, partially concurred with the recommendation. In January 1997, the Resource Management Budget Office at AFIS began requesting monthly trial balances and required field organizations to do the same. Additionally, AFIS stated that it maintains records on transactions within its direct control. AFIS also stated that it was working with DFAS to locate the yearend trial balance for European Stars and Stripes.

**Audit Response.** The actions AFIS has taken are responsive and should ensure the required audit trail.

## **Management Comments Required**

The Directors, Defense Finance and Accounting Service Indianapolis Center, Rome Operating Location, and Seaside Operating Location, did not comment on a draft of this report. Therefore, we request that they provide comments on the final report.



## **Part II - Additional Information**

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## Appendix A. Audit Process

### Scope and Methodology

We reviewed the products used to record and report AFIS FY 1995 financial information. AFIS FY 1995 funding totaled \$103.7 million. Specifically, we:

- o obtained 9 of 12 FY 1995 AFIS yearend trial balances and
- o performed an initial assessment of the FY 1995 yearend trial balances obtained.

Also, we reviewed procedures for recording AFIS financial transactions and accounting documents produced by the four systems used to record AFIS financial transactions:

- o WHS Allotment Accounting System,
- o AFRTS Allotment Accounting System,
- o Standard Accounting and Reporting System, and
- o Standard Army Financial System.

Additionally, we interviewed personnel who performed accounting and reporting functions at DFAS, AFIS, and WHS.

**Use of Computer-Processed Data.** We obtained computer-processed copies of FY 1995 yearend trial balances from the following accounting offices:

- o DFAS Indianapolis Center (WHS Allotment Accounting System),
- o AFRTS Broadcast Center and DVIC (AFRTS Allotment Accounting System),
- o DFAS Pensacola OPLOC (Standard Accounting and Reporting System),
- o DFAS Rome OPLOC (Standard Army Financial System), and
- o DFAS Seaside OPLOC (Standard Army Financial System).

We used the data for informational purposes only. We did not validate the reliability of the systems that generated the computer-processed data because we limited our use of the data to performing tests of the internal controls and reviewing the procedures for preparing financial statements. Our review showed that the systems contained balances that could not be supported and could not be relied on to produce reliable financial data.

**Audit Period and Standards.** We performed this financial-related audit from July through November 1996, in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly included tests of management controls considered necessary.

**Audit Contacts.** We visited or contacted individuals and organizations within DoD. Further details are available on request.

## **Management Control Program**

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

**Scope of Review of the Management Control Program.** We reviewed the management control programs for DFAS Indianapolis Center, DFAS Pensacola OPLOC, DFAS Rome OPLOC, DFAS Seaside OPLOC, and AFIS to identify the control techniques in place to ensure that the AFIS FY 1995 trial balances were accurate and reliable in accordance with DoD accounting standards. We also reviewed the Directorate for Budget and Finance, WHS, FY 1995 Annual Statement of Assurance. In addition, we reviewed managements' self-evaluations of applicable management controls.

**Adequacy of Management Controls.** We identified material management control weaknesses, as defined by DoD Directive 5010.38, for DFAS Indianapolis Center, DFAS Rome OPLOC, DFAS Seaside OPLOC, and AFIS. Management controls were not adequate to ensure that trial balances were reliable. The recommendation, if implemented, will improve the reliability of subsequent years' trial balances. A copy of this report will be provided to the senior officials responsible for management controls at the DFAS Indianapolis Center, DFAS Rome OPLOC, DFAS Seaside OPLOC, and AFIS.

**Adequacy of Managements' Self-Evaluations.** None of managements' self-evaluations detected and reported the material management control weaknesses identified in this report because the self-evaluations did not specifically identify the trial balances and general ledger accounts and the audit trails to support them as assessable units for evaluation.

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## Appendix B. Prior Audits and Other Reviews

During the last 5 years, the Office of the Inspector General, DoD, published two audit reports related to AFIS financial management.

**Inspector General, DoD, Report 97-017, "Consolidated FY 1995 Financial Report on Defense Organizations Receiving Department 97 Appropriations," October 31, 1996.** The report states that all 29 Defense organizations receiving Department 97 funding submitted adjusted trial balances for FY 1995. However, 19 of the Defense organizations did not use or have a complete DoD uniform chart of accounts to prepare the adjusted trial balances. Also, the Defense Finance and Accounting Service Indianapolis Center did not have complete information on all FY 1995 Department 97 funds received by Defense organizations, including AFIS. As a result, a general ledger accounting control system did not adequately record and report about \$19 billion of Department 97 funding and the Defense organizations' FY 1995 adjusted trial balance submissions to the DFAS Indianapolis Center omitted about \$820 million of FY 1995 funding. The report recommends that the Director, Defense Finance and Accounting Service Indianapolis Center, establish management control procedures to ensure that all recipients of Department 97 funds, including AFIS, provide financial reports in compliance with the requirements of the Federal Agencies' Centralized Trial-Balance System and the Federal Financial Management Act. Management concurred with the recommendation and stated that DFAS expects to have direct reporting in place by the second quarter of FY 1997.

**Inspector General, DoD, Report No. 97-008, "Summary Report on FY 1994 Financial Statement Audits of Defense Agencies," October 25, 1996.** The report includes summaries of accounting system weaknesses for 18 Defense agencies, including AFIS. The weaknesses are related to noncompliance with the 13 KARs in DoD 7000.14-R, "Financial Management Regulation," volume 1, chapter 3, May 1993. The report states that the majority of the accounting system weaknesses related to four KARs:

- o general ledger control and financial reporting (13 Defense agencies);
- o property and inventory accounting (8 Defense agencies);
- o system controls (9 Defense agencies); and
- o audit trails (7 Defense agencies).

The report also identifies weaknesses in three additional KARs: accrual accounting, military and civilian payroll procedures, and cost accounting. As a result, the general ledger account data at the Defense agencies were misstated and, if not corrected, the weaknesses that led to the discrepancies may adversely affect the reliability of financial statements. Because the report is a summary report of weaknesses identified during research projects and audits of Defense agencies' FY 1994 financial statements, the report summarized recommendations made in prior reports.

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## Appendix C. Other Matters of Interest

The AFIS did not reconcile its property records to the FY 1995 property, plant, and equipment accounts in the general ledgers maintained by all the organizations performing accounting services. KAR 2, "Property and Inventory Accounting," requires periodic reconciliation of property records to the general ledger accounts. The property records maintained by AFIS and its field elements did not distinguish between capitalized and expensed assets. In addition, when AFIS and its field elements disposed of assets, the accounting services for AFIS and its field elements were not routinely notified. For example, the AFRTS Broadcast Center property records, which included capitalized and expensed assets, showed equipment in use totaling \$21.2 million. However, the adjusted trial balance for AFRTS Broadcast Center showed equipment in use totaling \$7.3 million, which included all assets purchased with Other Procurement funds. The AFRTS Broadcast Center had not reconciled the property records to the general ledger, and the two balances could not be reconciled without a record-by-record review to identify the year, cost, and capitalization threshold at the time of purchase.

On December 4, 1996, the Director, Policy and Support Directorate, AFIS headquarters, notified the AFIS field elements that DFAS required all Defense agencies and field activities to record and report real and personal property assets to DFAS by January 10, 1997. As a result, AFIS headquarters required that its field elements report real and personal property. AFIS headquarters requested that the field elements submit the first property reports by December 18, 1996. AFIS headquarters planned to review and combine the property reports before forwarding them to DFAS. We believe that periodic collection and reporting of real and personal property by AFIS will improve the reliability of the property data reported on the AFIS trial balances.

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## **Appendix D. Report Distribution**

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Deputy Comptroller (Program/Budget)  
Assistant Secretary of Defense (Public Affairs)  
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Auditor General, Department of the Army

### **Department of the Navy**

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House Subcommittee on Government Management, Information, and Technology,  
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## **Part III - Management Comments**

# American Forces Information Service Comments

Final Report  
Reference



DEPARTMENT OF DEFENSE  
AMERICAN FORCES INFORMATION SERVICE  
601 NORTH FAIRFAX STREET  
ALEXANDRIA, VIRGINIA 22314-2007

APR 18 1997

Operating  
elements

MEMORANDUM FOR THE ASSISTANT INSPECTOR GENERAL FOR AUDITING, DOD

Armed Forces  
Radio and  
Television  
Service

SUBJECT: Audit Report on Financial Management at the American Forces Information Service (Project No. 6LA-2034)

Broadcast  
Center

American Forces Information Service (AFIS) comments on the findings and recommendations in the subject draft report are forwarded in accordance with DoD IG memorandum of February 25, 1997.

Defense  
Visual  
Information

## Accounting and Reporting Products

Joint  
Combat  
Camera  
Center

1a. **FINDING:** Balancing the Trial Balance. The FY 1995 trial balances that the Accounting Services prepared from AFIS general ledger data did not meet the requirements in DoD Regulation 7000.14-R, volume 1, chapter 7, "DoD Standard General Ledger," that proprietary and budgetary accounts be self-balancing. The Accounting Services did not have procedures to identify the specific accounts with errors and the amounts of the errors that caused the imbalances. Further, the Accounting Services did not reconcile the general ledger accounts to rectify the imbalances.

Defense  
Visual  
Information  
Center

Defense  
Information  
Schools

**REPORT RECOMMENDATION 1a:** Commander, Armed Forces Radio and Television Service-Broadcast Center (AFRTS-BC) establish procedures to balance trial balances, establish corresponding management controls to reconcile the general ledger accounts so that assets equal liabilities plus equity, and correct any imbalances before submitting trial balances to the Defense Finance and Accounting Service (DFAS).

Print  
Media

Current News  
Analysis and  
Research  
Service

**COMMENT:** See comment for 1b.

Stars and  
Stripes  
Oversight

1b. **FINDING:** Accounting for and Reporting Revenues and Expenses. The Accounting Services had not established the management controls needed to ensure that revenues and expenses were accounted for and reported by matching current period expenses against the use of appropriated funds to finance those expenses. The Accounting Services prepared FY 1995 adjusted trial balances that did not report operating expenses equal to appropriated capital used.

Television  
Audio  
Support  
Activity

**REPORT RECOMMENDATION 1b:** Commander, AFRTS-BC establish management controls to ensure that appropriated capital used (Account 5700) matches operating expenses (Account 6100).

Office of the Assistant Secretary of Defense (Public Affairs)

**COMMENT:** Partially concur with RECOMMENDATIONS 1a and 1b. Trial balances are prepared by a DFAS DAO or Washington Headquarters Services (WHS) and must be requested by each AFIS activity. AFIS and its field activities do not submit their trial balances to DFAS. Since January 1997, AFIS HQ has required each field activity to request and review its monthly trial balance for obvious disparities, and to provide a duplicate copy to the AFIS HQ Resource Management Budget Office. This procedure provides a double check of the trial balances by both the field activities and AFIS HQ. As of the second quarter FY 1997, all trial balances received have balanced. If an imbalance should occur, every attempt would be made to ensure identified errors are corrected the following month. Since the General Ledger accounts are driven by object classifications, extra attention is given to proper classification of data.

**2. FINDING:** Maintaining Audit Trails. The Accounting Services did not maintain sufficient audit trails. In addition, the DFAS-IN (the Accounting Service that consolidates AFIS trial balance data) and AFIS were unable to provide three AFIS FY 1995 yearend trial balances and did not have records to create the trial balances. Additionally, AFIS personnel could not provide the FY 1995 yearend trial balance for European Stars and Stripes.

**REPORT RECOMMENDATION 2:** Director, AFIS maintain records for audit trails in accordance with Key Accounting Requirement 8, "Audit Trails."

Renumbered

**COMMENT:** Partially concur. AFIS HQ and its field activities do maintain audit trails for all procurement actions, from initiation to close-out, with the exception of materials not generated by AFIS, such as payroll data, invoices mailed directly to the paying finance office, and disbursements. Accounting for those materials is the responsibility of the DFAS office (e.g. Rome, New York) and is beyond the control of AFIS. AFIS is working with DFAS to locate the FY 1995 yearend trial balance for the European Stars & Stripes.

**3. FINDING:** Accounting for and Reporting Funds Disbursements and Accounts Payable. The FY 1995 adjusted trial balances for the AFRTS-BC and the Defense Visual Information Center (DVIC) did not include accurate balances in Funds Disbursed (Account 1012) and Accounts Payable (Accounts 2111 and 2113) accounts.

**REPORT RECOMMENDATION 3:** Commander, AFRTS-BC establish management controls to ensure that cash and accounts payable are accounted for and reported based on the timely recognition of disbursements and receipt of goods in accordance with Key Accounting Requirement 9, "Cash Procedures and Accounts Payable."

Deleted

**COMMENT:** Non-concur. With the exception of AFRTS-BC, AFIS HQ and its field activities do not input disbursements into the system and therefore have no control over the timely recognition of disbursements. Upon receipt and review of each activities' trial balance for a given period, inquiry is made to the servicing DFAS if disbursements do not meet activity expectations. To date, disbursements are being posted to the trial balances, however, they are not current for either AFIS HQ or AFRTS-BC. For example, AFRTS-BC receives weekly disbursement documents for data entry from their servicing DFAS. However, These

## American Forces Information Service Comments

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documents are 30-45 days behind the disbursement date, which makes data entry untimely. AFRTS-BS is working with their servicing DFAS to obtain these documents in more a timely manner.

This organization believes the steps for a trial balance are:

1. Data entry by the activity. This can include commitments, obligations, and disbursements, but, each AFIS activity does not necessarily do all three. The servicing DFAS DAO OPLOC has the capability to change entries made by the activity, but the activity can not change entries made by the DFAS.
2. Data entries by the activity or DFAS are translated into General Ledger Account Codes (GLAC). Object classes contained in the entries equate to the GLAC. If an object class is coded incorrectly, a line item can be put into the wrong GLAC.
3. The trial balance is created from the General Ledger by a DFAS or WHS.

### Management Control Program

1. **FINDING:** Adequacy of Management Controls. Management controls were not adequate to ensure that trial balances were reliable.

**COMMENT:** See comment below.

2. **FINDING:** Adequacy of Management's Self-Evaluations. None of management's self-evaluations detected and reported the management control weaknesses identified in this report because the self-evaluations did not specifically identify the trial balances and general ledger accounts as assessable units for evaluation.

**COMMENT:** Partially concur. Neither OMB Circular A-130 nor DoD Directive 5010.38, "Management Control (MC) Program," require that trial balance or general ledger accounts be identified as separate assessable units. Trial balance reconciliation has been incorporated (to the extent that AFIS has control) into the Budget & Finance assessable unit and will be reviewed accordingly. This review process, in addition to the previously mentioned recommendations and corresponding responses, will be used to identify trial balance errors for timely correction.

Please direct any questions to CPT Stepanchuk, (703)428-0715, DSN 328-0715.

  
Jordan E. Rizer  
Director

## **Audit Team Members**

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